

Message Text

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PAGE 01 MONTEV 04623 012032Z

62

ACTION ARA-10

INFO OCT-01 ISO-00 ARAE-00 CIAE-00 DODE-00 PM-04 H-02

INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15

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FM AMEMBASSY MONTEVIDEO

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C O N F I D E N T I A L MONTEVIDEO 4623

E.O. 11652: GDS

TAGS: PGOV, PINT, UY

SUBJ: CABINET CHANGES APPEAR TO BE IMINENT

REFS: MONTEVIDEO 3093 (R 201721Z AUG 76)

MONTEVIDEO 3130 (241904Z AUG 76)

1. SUMMARY: RELIABLE SOURCES INDICATE THAT AGRICULTURE MINISTER ARZNAREZ AND FOREIGN MINISTER BLANCO HAVE SUBMITTED THEIR RESIGNATIONS, BUT THERE HAS BEEN NO PUBLIC CONFIRMATION. ADAO SOURCE INDICATES THAT BOTH WILL REMAIN THROUGH AN IMPORTANT GOU CONCLAVE STARTING DEC. 6. ARZNAREZ MOVE WAS PROMPTED BY A DISPUTE WITH BANK OF REPUBLIC (BOR) PRESIDENT (GEN.) RAIMUNDEZ OVER AGRICULTURAL POLICY. WE BELIEVE BLANCO HAD, AT LEAST SINCE AUGUST, PLANNED TO LEAVE THE DEMANDING POST HE HAS HELD FOR OVER FOUR YEARS. A HIGH-LEVEL FONOFF SOURCE INDICATED THAT BLANCO DOES NOTHING ON THE SPUR OF THE MOMENT AND ASSUMED THAT THE FACT THAT THE RESIGNATIONS CME ALMOST TOGETHER WAS COINCIDENCE. WE HAVE NOTHING TO CONTRADICT THAT, EVEN THOUGHT IT IS A FACT THAT BOTH ARZNAREZ AND BLANCO HAD ASSOCIATED THEMSELVES IN AUGUST WITH FORMER MINISTER OF

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PAGE 02 MONTEV 04623 012032Z

ECONOMY VEGH VILLEGAS' PROTEST AGAINST POLITICAL TRENDS

IN THE GOVERNMENT. ALL SOURCES INDICATE THE RESIGNATIONS WILL BE ACCEPTED, THUS DEPRIVING THE ADMINISTRATION OF TWO OF ITS MOST CAPABLE MEMBERS.

2. MINISTER OF AGRICULTURE AND FISHERIES, JULIO E. AZNARES, HAS REPORTEDLY OFFERED HIS RESIGNATION TO PRESIDENT MENDEZ IN THE WAKE OF ACrimonious DISPUTE WITH BOR PRESIDENT, GEN. RAIMUNDEZ, INVOLVING SEVERAL ELEMENTS OF AGRICULTURAL POLICY.

AT THE SAME MEETING OF THE ECONOMIC TEAM LAST WEDNESDAY DURING WHICH THE GOV DECIDED TO WITHDRAW ITS REQUEST FOR THE IDB FISHERIES LOAN (SEE MONTEVIDEO 4573), THERE WAS A SHARP EXCHANGE BETWEEN AZNARES AND GEN. RAIMUNDEZ INVOLVING (A) RAIMUNDEZ'S LAST-MINUTE DOUBTS ABOUT BOR PARTICIPATION IN A RECENTLY AUTHORIZED IBRD AGRICULTURAL DIVERSIFICATION LOAN (\$28.0 MILLION) AND (B) KZZA SUPPORT PRICE FOR WHEAT IN LIGHT OF THE EXPECTED Bumper CROP AND DECLINE IN WORLD MARKET PRICE. THESE DISPUTES ARE ONLY THE LATEST IN A LONG SERIES OF CONFRONTATIONS BETWEEN GEN. RAIMUNDEZ AND AZNARES, AN ARDENT SUPPORTER OF FORMER ECONOMY MINISTER VEGH VILLEGAS, BOTH IN HIS ECONOMIC AND POLITICAL ATTITUDES. IN FACT, AZNARES, ON AUGUST 19, SENT A LETTER TO THE PRESIDENT-ELECT (WITH COPY TO THE CINCS) OPPOSING THE PROPOSED CREATION OF A MINISTRY OF JUSTICE AND THE PROPOSED DEPRIVATION OF POLITICAL RIGHTS AND ARGUING FOR RENEWED POLITICAL PARTY ACTIVITY. ON THE PURELY ECONOMIC SIDE, AZNARES AND RAIMUNDEZ HAVE FREQUENTLY CLASHED OVER AGRICULTURAL CREDIT POLICY, AND PARTICULARLY OVER RAIMUNDEZ'S PROTECTIONIST ATTITUDES WHICH SUPPORT LOCAL ASSEMBLY OF IMPORTED TRACTOR KITS WHICH DOUBLE THE COST OF TRACTORS TO URUGUAYAN FARMERS OVER THAT PAID BY THEIR ARGENTINE OR BRAZILIAN COUNTERPARTS.

3. FOREIGN MINISTER BLANCO IS ALSO RELIABLY REPORTED TO HAVE RESIGNED BUT THERE HAS BEEN NO PUBLIC CONFIRMATION. ALL SOURCES INDICATE THAT HIS RESIGNATION WILL BE ACCEPTED. A SOURCE CLOSE TO THE PRESIDENT INDICATED SOME WEEKS AGO THAT MENDEZ AND SOME OF THE MILITARY WOULD LIKE TO SEE BLANCO LEAVE.
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 MONTEV 04623 012032Z

AS REPORTED IN REFTELS, BLANCO ALSO HAD IDENTIFIED HIMSELF WITH FORMER MINISTER OF ECONOMY VEGH VILLEGAS IN AUGUST WHEN VEGH RESIGNED AND PROTESTED THE POLITICAL TREND OF THE GOVERNMENT. ALTHOUGH BLANCO DID NOT THEN RESIGN, HE WAS NOT EXPECTED TO REMAIN LONG IN THE NEW ADMINISTRATION. HE HAS BEEN MINISTER MORE THAN FOUR YEARS, IS TIRED AND HAS LONG BEEN URGED BY HIS WIFE AND CHILDREN TO TAKE A LESS DEMANDING POSITION WHICH

WOULD PERMIT HIM TO SPEND SOME TIME WITH THEM. THUS, WE BELIEVE HIS DEPARTURE TO BE MORE A NATURAL EVOLUTION OF A PROCESS BEGUN MONTHS AGO THAN A SHARP BREAK WITH THE ADMINISTRATION WHICH IS EXPECTED TO USE HIS CONSIDERABLE TALENTS ELSEWHERE. AS THIS WAS BEING TYPED, THE DAO REPORTED THAT A RELIABLE SOURCE HAD INDICATED THAT BLANCO AND AZNAREZ WOULD REMAIN THROUGH AN IMPORTANT MEETING OF SENIOR CIVILIAN AND MILITARY OFFICIALS TO BEGIN DECEMBER 6 TO REVIEW THE GOVERNMENT'S PROGRESS AND TO LAY PLANS FOR THE FUTURE (MVD 4240).

4. WHILE THE TIMING OF THE REPORTED RESIGNATION PLANS MAY OR MAY NOT HAVE BEEN COINCIDENTIAL THE ADMINISTRATION WILL LOSE TWO OF ITS MOST CAPABLE MINISTERS IF THEY DO GO. BOTH AZNAREZ AND BLANCO WERE FRIENDLY TOWARDS AND COOPERATIVE WITH U.S. OFFICIALS AND THEIR DEPARTURE WOULD BE AT LEAST A TEMPORARY LOSS FOR OUR INTERESTS AS WELL. THERE IS NO SOLID INDICATION AS YET AS TO WHOM WOULD REPLACE EITHER MAN. SIRACUSA

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